

USAID/Caribbean Regional Program

Annual Report

FY 2005

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Caribbean Regional Program

Performance:

Background: The Caribbean region consists of 23 relatively small independent islands and dependent territories ranging in size from 91 square kilometers (Anguilla) to 214,970 square kilometers (Guyana). Most share a common history of European colonization and mono-crop plantation economies, giving rise to a number of developmental similarities and strong correlation among their current economic problems. Their small size, isolation from markets, susceptibility to natural disasters, and general ecological vulnerability present a unique development challenge.

During the 1990s, while major trade preferential agreements with former colonial powers still existed, real gross domestic product (GDP) in the region grew at an average rate of 3.5%. This rate increased at a decreasing rate after the 1990s, registering 2.5% in 2000, and 1.0% in 2001. From 2002 to the present, some of the countries in the Caribbean are showing negative real growth. The onset of trade liberalization and globalization has resulted in the gradual loss of preferential trading agreements which, coupled with low capital investment, has caused a reduction in foreign exchange earning potential. The dependence on a very narrow range of goods and services and limited private sector competitiveness in many of the countries have contributed to low or negative economic growth.

A number of Caribbean countries now face problems such as growing trade imbalances, unemployment, widening fiscal deficits, and growing unsustainability of their debt stock. Debt stock at the end of 2001 ranged from between 40% and 135% of GDP.

There have been inadequate efforts to provide the necessary regulatory and institutional infrastructure to promote private investment. These gaps, combined with the region's vulnerability to natural disasters such as hurricanes, floods, and volcanic eruptions, have created tremendous developmental challenges for the region. These vulnerabilities were cruelly exposed to the region and the world when Hurricane Ivan cut a deadly path across the Caribbean in early September 2004, causing serious damage in Grenada and Jamaica. As a result of the storm, virtually every one of Grenada's 102,000 inhabitants was adversely affected. Damage on the small island totaled an estimated \$815 million, about twice the country's annual GDP. The economy, which had been predicted to grow at a rate of 4% to 5%, will instead contract by as much as three percent in 2005.

Within this context, critical issues, as seen from the viewpoint of the Caribbean countries and their regional representative bodies such as the Caribbean Community (CARICOM) and the Organization of Eastern Caribbean States (OECS), are: (i) the challenge of increasing competition under the Free Trade Area of the Americas (FTAA), the African Caribbean and Pacific/European Union (ACP/EU), and the World Trade Organization (WTO) agreements; (ii) the growing threat of HIV/AIDS to national development (the regional adult prevalence rate of 2.4% in 2002 is surpassed only by sub-Saharan Africa); (iii) unemployment and potential impacts on safety/security and increased crime; (iv) the need for fiscal reform; (v) traditional and emerging environmental challenges; and (vi) human capacity deficiencies.

One of the strategies developed by CARICOM countries for meeting these growing demands is the plan for integration into a single economic bloc under the Caribbean Single Market and Economy (CSME) by 2005. At the sub-regional level, the OECS has already created single monetary and judicial systems and has plans for a more comprehensive union within the CSME. Specific implementation deadlines for both of these parallel efforts, however, have not yet been formalized and only Jamaica, Barbados, and Trinidad and Tobago have committed to meeting the 2005 deadline.

US Interests and Goals: U.S. strategic goals in the Caribbean derive from its geographic proximity to the

United States; homeland security concerns; and the threat from transnational crime and drugs that have found a home in the region. Bilateral relations with the region's small island states are generally good, with collaboration motivated by common national interests and shared values. The 1997 Barbados Summit accords committed the United States and the signatory Caribbean nations to promoting free trade and economic development, safeguarding the natural environment, and enhancing justice and security. In April 2001, at the third Summit of the Americas in Quebec, President George W. Bush outlined his vision for making this the Century of the Americas, with special attention to the Caribbean, our often-overlooked Third Border. The small countries of the region are important partners on trade, health, and education issues, as well as on promoting democracy in the hemisphere. They are also working closely with the United States to address issues related to drug trafficking, migrant smuggling, and financial crimes, in order to mutually enhance security throughout the region.

Donor Relations: A number of donor agencies are active in the Caribbean and contribute significant amounts to programs within the OECS and other Caribbean countries. According to a 2001 World Bank report, the top seven donors to the OECS countries (the Caribbean Development Bank, the European Union, the World Bank, UN organizations, Kuwait, the United States, and Canada - listed in order of size of contributions) accounted for 93% of total disbursements for 1999-2001. Canada has substantial regional and bilateral programs in the Caribbean, working in sectors such as economic competitiveness, trade policy, financial sector reform, disaster management, gender equity, and HIV/AIDS.

The British Department for International Development (DFID), which also has a good mix of bilateral and regional programs, is providing assistance to help the region reduce poverty and meet the challenges of globalization. The European Union is providing significant resources for agricultural adjustment, private-sector development, and budgetary support to foster public sector reforms. The United Nations agencies are assisting the region in health and combating HIV/AIDS.

USAID collaborates closely with other donor partners, jointly funding some activities, for example the Caribbean Regional Technical Assistance Center (CARTAC) and the Pan-Caribbean Partnership Against HIV/AIDS (PANCAP) and coordinating closely on others, for example, Hurricane Ivan recovery.

Challenges: The primary development challenges confronting the region are (1) accelerating sustainable economic growth by realigning the small island economies to successfully compete in a changing global market; (2) slowing the spread of HIV/AIDS; and (3) reducing region-wide crime and violence. In addition, much more attention must be given to reducing the economic impact of periodic natural disasters by integrating disaster risk reduction more explicitly into the region's social and economic development plans, policies and actions.

The creation of the CSME is a tremendous opportunity for the countries of the Caribbean region to achieve economies of scale that will enable them collectively to compete globally. The result will be accomplished only if the region's CSME implementation efforts are collaborative and well coordinated. The Caribbean region has not been able to realize sustained growth to generate necessary levels of employment or to support other necessary social improvements. Removal of traditional trade preferences has slowed growth as has an overall decline in traditional sources of growth, such as agriculture. Tourism and remittances are now the largest growth areas within the region's economies. In 2003, Trinidad and Tobago and Grenada led the region in economic growth with rates of 6.7 and 5.7 percent, respectively. However, more typical growth in the other islands ranged between 1-2 percent and contracted in Guyana in 2003.

More than 440,000 people are currently living with HIV in the Caribbean, including 53,000 who were newly infected in 2004. The Caribbean region has the second highest HIV prevalence rate in the world, second only to sub-Saharan Africa. Women in the 15-24 age group are infected at a faster rate than men in the same age range and AIDS has become the leading cause of death for men and women aged 15-24. Because of a host of cultural and social factors, people in the region who have been infected with or affected by HIV/AIDS are subjected to high levels of stigma and discrimination. Unless the region's response to HIV/AIDS is better coordinated and targeted, and coupled with intensive efforts to reduce stigma and discrimination, HIV/AIDS will have an ever increasing impact on the health status of the

region's population and on sustainable development.

Historically, the region has been susceptible to a wide range of natural disasters, including hurricanes, flooding, landslides, and earthquakes. In September 2004, Hurricane Ivan devastated Grenada and the Cayman Islands and caused significant damage to Jamaica and somewhat less widespread damage to a number of other islands. Although the region has always been vulnerable to these natural hazards, the economic impact of Hurricane Ivan gave stark reality to the importance of making disaster risk reduction a more integral and explicit component of the region's economic development plans, policies and actions so the region can sustain its economic gains instead of having to begin again each time a natural disaster occurs.

Most of the countries of the region have deep-rooted democratic traditions and institutions and score among the upper half of all countries on most measures of good governance. Nevertheless, sustaining good governance is an increasing challenge, especially in the areas of accountability, rule of law, and combatting corruption. Crime is a serious and growing problem throughout the region, which is exacerbated by diminished growth and increasing unemployment, especially among young people.

Key Achievements: FY2004 was a demanding year for USAID/J-CAR's development program as the Mission worked hard to transition from its 2000-2004 strategic plan to a more targeted development assistance strategy for FY2005-2009, while rising to the challenges created by Hurricane Ivan. It was also a year filled with significant accomplishments. Gains were made in helping to create an enabling legislative and regulatory environment for growth and investment. USAID's programs also helped modernize key aspects of the justice system's infrastructure to improve efficiency and contribute to increased confidence in the justice system. In addition, with USAID's support 21 target countries now have formally approved HIV/AIDS national plans in place, setting firm foundations for combating the disease.

Improved Business Environment: Under this SO, USAID provided support in two areas: (1) development of capacity of firms to meet international trading standards, and (2) strengthening the legislative framework for increased participation in regional and international trade. Over the life of this program, the assistance provided to 30 select small, medium, and regional firms resulted in a 23% increase in their export sales. In addition, with assistance from USAID, the regional telecommunications sector was deregulated and, as a result, benefited from more than \$107 million in direct investment.

Improved Environmental Management: USAID's environmental program supported sustainable management of the Caribbean region's fragile natural resource base that is the foundation for its economic growth. With USAID's assistance, Dominica was the first country in the world to receive Green Globe 21 benchmark certification, which makes it a very attractive tourist destination for environmentally conscious travelers from around the world.

Increased Efficiency of Legal Systems: USAID's justice program provided assistance in three critical areas: (1) to improve the efficiency of Caribbean court systems to settle disputes more rapidly; (2) to improve access to legal system information and training; and (3) to revise and update laws relating to the CSME, justice and security, and HIV/AIDS. As a result of USAID's assistance for court computerization, the courts are now able to carry out their work in a much more efficient and expeditious manner. This year alone, more than 1,500 backlogged cases were reviewed and resolved. In addition, the Caribbean Regional Legislative Drafting Facility, funded by USAID, prepared 78 model laws that will be used across the region to strengthen the region's legal framework. In addition, the Drafting Facility prepared a code of ethics relating to HIV/AIDS as well as policies on workplace discrimination that will eventually be turned into law.

Enhanced Caribbean Response to HIV/AIDS: USAID's high-profile HIV/AIDS program helped enhance the Caribbean region's response to the HIV/AIDS epidemic in targeted countries by focusing in two areas: (1) increasing the capacity of non-governmental organizations to implement HIV prevention activities at the community level and (2) enhancing the capacity of national governments to operationalize national HIV/AIDS strategies. By the end of the program, all of the target countries had formally approved national

HIV/AIDS strategic plans and six NGO networks were firmly established in the eastern Caribbean. With USAID's support, each of these networks was effective in working collaboratively with their respective national government to reduce HIV transmission among youth as well as high-risk populations.

The Caribbean region benefits from an initiative funded by DCHA/OFDA for activities to promote sustainable development through reduced risk and losses from natural hazards in the Caribbean. The mission's program outcomes also benefit from the mission-managed, USAID/W-regional Presidential Initiative Caribbean Center for Excellence in Teacher Training (CETT). This program, which is strengthening the teaching of reading to and reading skills for grades 1-3 in 6 countries throughout the Caribbean (i.e., St. Vincent, St. Lucia, Grenada, Trinidad and Tobago, Belize, and Jamaica) contributes generally to the mission's efforts to strengthen the human resource base for the region's trade competitiveness.

Several countries have been so persuaded by the classroom success of CETT that they are initiating or expanding the CETT program in their countries with their own resources. CETT has been particularly successful in generating public-private partnerships with both local and international entities and serves as a model for USAID's global development alliances.

Results Framework

538-004 Improved Business Environment to Meet International Standards

SO Level Indicator(s):

Export sales increasing in targeted firms

IR1 Capacity of firms to deliver goods and services by international standards improved

IR2 Legislative/Policy framework established to support free trade and competition

538-005 Improved Environmental Management by Public and Private Entities

SO Level Indicator(s):

Number of organizations adopting environmental best practices

IR1 Increased access to best environmental management practices

IR2 Implementation of improved environmental policies and standards

IR3 Strengthened organizational capacity to finance environmental improvements

538-006 Increased Efficiency and Fairness of Legal Systems in the Caribbean

SO Level Indicator(s):

Number of cases disposed of (cleared from the formal court system)

IR1 Improved efficiency of legal systems

IR2 Improved access to legal system information and training

IR3 Revised and updated laws

538-008 Enhanced Caribbean Response to the HIV/AIDS Crisis in Target Countries

IR1 Increased NGO/CBO capacity to deliver HIV/AIDS prevention and care programs in target countries

IR2 Increased government capacity in target countries to implement an effective response to HIV/AIDS

538-009 Caribbean Region Positioned to Succeed in an Open Trade Environment

SO Level Indicator(s):

Export income/jobs

Foreign direct investment as % of GDP by sector

IR09.1 Key impediments to open trade mitigated

IR09.2 Business constraints reduced and market opportunities leveraged

IR09.3 Environmental and disaster prevention frameworks for economic growth strengthened

538-010 HIV Transmission Reduced in Target Countries in Most-at-Risk Populations and Impact of HIV/AIDS Mitigated in the Region

SO Level Indicator(s):

Percent of individuals with advanced HIV infection receiving antiretroviral therapy

Percent of most-at-risk populations using a condom

Percent of target/general population receiving HIV test results

IR010.1 Expanded access to prevention and treatment services

IR010.2 Improved availability and use of accurate and reliable information on HIV/AIDS

IR010.3 Expanded access to risk reduction behavior change interventions in target countries

538-011 More Secure Lives and Livelihoods for People in Grenada and Other Islands affected by Hurricane Ivan

538-x10 538-XXX Global Competitiveness and Open Trade

538-x11 538-ZZZ Regional Response to HIV/AIDS

538-x12 Improved Country Performance (Caribbean Performance Fund)

538-xx9

538-YYY Improved Country Performance (Caribbean Performance Fund)